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Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

SP-03 STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01

AGR-20 NSC-07 SS-20 DODE-00 L-03 DRC-01 /161 W
---------- 075117
R 101713Z JUL 74
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 7181
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
USMISSION BERLIN
USMISSION GENEVA
USMISSION OECD PARIS

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E.O. 11652: NA
TAGS: PFOR, EGEN, EEC, GE
SUBJECT: EC COMMISSION AGAIN PROPOSED TO TREAT GDR AS "THIRD COUNTRY"

1. SUMMARY. THE EC COMMISSION HAS WITHIN THE PAST FEW DAYS PROPOSED TO THE COUNCIL THAT THE GDR BE CLASSIFIED AS A "THIRD COUNTRY" FOR THE PURPOSES OF THE COMMON COMMERCIAL POLICY AND THE COMMON AGRICULTURAL POLICY. THUS, WITH THE EXCEPTION OF TRADE BETWEEN THE GDR AND THE FRG, THE GDR WOULD BE GIVEN TREATMENT IDENTICAL
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TO THAT ACCORDED OTHER STATE-TRADING COUNTRIES. THE

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COMMISSION'S PROPOSAL CARRIES A SUGGESTED EFFECTIVE DATE OF AUGUST 1 AND HAS ALREADY BEEN SUBMITTED TO THE COMMITTEE OF PERMANENT REPRESENTATIVES (COREPER) FOR DISCUSSION ON JULY 11. END SUMMARY.

2. WITH THE PRESENT PROPOSAL, WHICH IS A RESTATEMENT OF ITS PROPOSAL OF LAST WINTER, THE COMMISSION SEEKS FORMALLY TO ACKNOWLEDGE THE NORMALIZATION OF RELATIONS BETWEEN THE TWO GERMANIES AND BETWEEN THE GDR AND OTHER EC MEMBER COUNTRIES. IF THE PROPOSAL IS ADOPTED, THE GDR WOULD BE GIVENTREATMENT BY THE MEMBER STATES,EXCEPT THE FRT, IDENTICAL TO THAT GIVEN OTHER STATE-TRADING COUNTRIES. TRADE BETWEEN THE GDR AND THE EC COUNTRIES, WITH THE EXCEPTION OF THE FRG, WOULD BE SUBJECT TO THE COMMON AGRICULTURAL POLICY (THUS RESCINDING THE COUNCIL RESOLUTION OF MAY 11, 1966) AND TO NORMAL THIRD-COUNTRY TREATMENT AS REGARDS EXPORT CREDITS. ALL MEMBERS EXCEPT THE FRG WOULD HAVE TO ABIDE BY THE REGULATIONS REQUIRING PRIOR NOTIFICATION AND CONSULTATION ON CREDIT TERMS; THE FRG WOULD BE EXPECTED TO REFRAIN FROM OUTBIDDING THE OTHER MEMBER STATES.

3. THE ACTUAL EFFECT OF THE PROPOSAL ON THE PROTOCOL TO THE EEC TREATY (BY WHICH TRADE BETWEEN THE FRG AND THE GDR IS CONSIDERED INTERNAL GERMAN TRADE) IS NOT YET CLEAR. A SENIOR COMMISSION SOURCE SAYS THAT THE PROTOCOL ITSELF WILL BE UNCHANGED. HE POINTS OUT, HOWEVER, THAT AGREEMENTS BETWEEN OTHER MEMBERS AND THE GDR MENTIONED IN ARTICLE 2 OF THE PROTOCOL SHOULD NOW BE NEGOTIATED BY THE COMMISSION IN LINE WITH THE DECISION REAFFIRMED BY THE FOREIGN MINISTERS AT THEIR JUNE 25 MEETING (SEE EC BRUSSSELS 4585).

4. PRESS REPORTS INDICATE THAT THE FRENCH OBJECT TO THE COMMISSION'S PROPOSAL AND FEEL THAT THE OTHER MEMBER COUNTRIES SHOULD CONTINUE TO BE FREE TO TAKE ACTION TO COUNTER ANY DIFFICULTIES WHICH MIGHT ARISE FROM TRADE BETWEEN THE GDR AND FRG AS IS PROVIDED BY ARTICLE 3 OF THE PROTOCOL. ONE COMMISSION SOURCE
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SPECULATES THAT THIS OBJECTION IS SPURIOUS SINCE ARTICLE 3 WILL REMAIN FORMALLY IN EFFECT. HE ALSO POINTS OUT THAT DIVESION OF GOODS COMING THROUGH THE FRG HAS NOT BEEN A PROBLEM IN RECENT YEARS IN ANY CASE.

5. A SOURCE AT THE GERMAN PERMANET REPRESENTATION INDICATES THAT, WHILE THE FRG IS PREPARED TO SUPPORT

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THE BASIC THRUST OF THE COMMISSION PROPOSAL FOR "THIRD COUNTRY" TREATMENT OF THE GDR, THEY HAVE RESERVATIONS ABOUT SOME OF THE SPECIFICS. GERMANY IS CONCERNED WITH THE PROPOSAL'S EFFECTS ON THE PRESENT TAX ARRANGEMENTS REGARDING TRASPORT OF GOODS FROM THE FRG TO BERLIN.

6. THE PROPOSAL IS TO BE DISCUSSED AT THE CORESPER MEETING ON JULY 11. IT WILL THEN PROBABLY HAVE TO BE CONSIDERED BY THE EC COUNCIL. IT IS NOT KNOWN IF THE DOSSIER WILL BE READY FOR THE COUNCIL SESSION ON JULY 22-23; IF IT IS NOT, FINAL ACTION WILL HAVE TO WAIT UNTIL THE FALL.GREENWALD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, AGRICULTURAL POLICIES, ECONOMIC PROGRAMS, ECONOMIC INTEGRATION
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ECBRU05082
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740184-0685
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740762/aaaacbdk.tel
Line Count: 128
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 APR 2002 by worrelsw>; APPROVED <20 JUN 2002 by golinofr>
Review Markings:

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US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC COMMISSION AGAIN PROPOSED TO TREAT GDR AS "THIRD COUNTRY"
TAGS: PFOR, EGEN, GC, GE, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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